

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF FANCY FARM WATER )  
DISTRICT FOR AN ORDER PURSUANT TO )  
CHAPTER 278 OF THE KENTUCKY REVISED )  
STATUTES GRANTING A CERTIFICATE OF )  
PUBLIC CONVENIENCE AND NECESSITY, )  
AUTHORIZING AND PERMITTING THE )  
APPLICANT TO CONSTRUCT A SEWAGE )  
COLLECTION TREATMENT SYSTEM FOR THE )  
FANCY FARM COMMUNITY, GRAVES COUNTY, )  
KENTUCKY )

CASE NO. 7739

INTERIM ORDER

Preface

On February 14, 1980, Fancy Farm Water District, hereinafter referred to as the Applicant, filed with this Commission its duly verified application seeking a Certificate of Public Convenience and Necessity authorizing and permitting the construction of a proposed sewage collection and treatment system and approval of the proposed plan of financing.

The matter was set for hearing at the Commission's offices in Frankfort, Kentucky, on April 8, 1980. All parties of interest were notified and no protests were entered.

At the hearing, the Applicant verbally amended its application to include its request for the establishment of initial rates.

A copy of a letter from the Division of Water Quality of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

The complete record and testimony in this matter through the conclusion of the April 8, 1980 hearing has been considered by the Commission in the making of this Order which addresses certification of construction and the method of financing. The matter of adjustment of the Utility's rates will be considered after construction bids have been received and copies thereof filed with this Commission. An additional hearing may be required to complete the record in this matter regarding the establishment of initial rates.

### Findings In This Matter

The Commission, after consideration of the application and all evidence of record, and being advised, is of the opinion and finds:

1. That the public convenience and necessity requires construction of the proposed sewage system project in the area set forth by the application and exhibits filed in the record in this matter and said certificate should be granted.

2. That the construction project proposed by the Applicant includes a sewage collection system, a 140,000 GPD<sup>(1)</sup> treatment plant and 200 service connections; all at a total project cost of \$1,235,000 according to the Engineer's final estimate including construction contingencies, administrative, legal and engineering costs.

3. That any construction deviations from the proposed plans and specifications, herein approved, which could adversely affect service to any customer, should be subject to the prior approval of this Commission.

4. That the financing of this project by means of \$60,000 in Applicant's contributions, a \$795,000 EPA grant, a \$129,000 FmHA grant and a \$251,000 FmHA loan is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes. The Applicant has testified that the amount of the EPA Grant is a fixed amount; that the \$129,000 FmHA Grant and the \$251,000 FmHA loan may, however, be increased to cover reasonable cost overruns. Should the receipt of bids reveal the need for additional funds, further approval will be required of this Commission.

5. That the Applicant should, at the time of advertisement for construction bids, file two (2) copies of the advertisement documents<sup>(2)</sup> with this Commission. Further, that within ten (10) days of the receipt of bids, the Applicant should file with this Commission, a copy of the Engineer's evaluation of the bids and his recommendations regarding the award of a construction contract.

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(1) A 140,000 GPD treatment plant has a design capacity to accomodate 350 single-family residences or equivalent loading.

(2) The advertisement documents include plans, specifications, form of proposal, etc.

6. That the Applicant should re-evaluate its proposed rates as filed at the April 8, 1980 hearing and that the Applicant, upon receipt of construction bids, should file an application inclusive of all information required by this Commission for the establishment of initial rates.

7. That the agreement between Applicant and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

8. That within sixty (60) days of the date of substantial completion of this construction, the Applicant should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

#### Order In This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Fancy Farm Water District be and it is hereby granted a Certificate of Public Convenience and Necessity to construct a sewage collection and treatment system in the area set forth in the application and in accordance with the plans and specifications filed in this record.

IT IS FURTHER ORDERED that any construction deviations from the plans and specifications, herein approved, which could adversely affect the service to any customer shall be subject to the prior approval of the Commission.

IT IS FURTHER ORDERED that the Applicant be and it is hereby authorized to borrow up to, but not to exceed, \$251,000 from FmHA at five (5) per cent interest.

IT IS FURTHER ORDERED that the proceeds from the borrowings authorized herein shall be used only for the lawful objects set out in the Application.

IT IS FURTHER ORDERED that the Applicant shall, at the time of advertisement for construction bids, file two (2) copies of the advertisement documents with this Commission. Further, that within ten (10) days of the receipt of bids, the Applicant shall file with

this Commission, a copy of the Engineer's evaluation of bids and his recommendations regarding the award of a construction contract.

IT IS FURTHER ORDERED that the Applicant, upon receipt of construction bids, shall file an application inclusive of all information required by this Commission for the establishment of initial rates.

IT IS FURTHER ORDERED that the agreement between the Applicant and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Applicant shall require the Engineer within sixty (60) days of the date of substantial completion of this construction to furnish this Commission with a copy of the "As Built Plans" and a certification that the construction has been satisfactorily completed and was done in accordance with the contract plans and specifications.

Nothing contained herein shall be construed as a finding of value for any purpose nor shall it be deemed a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 26th day of June, 1980.

UTILITY REGULATORY COMMISSION

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Chairman

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Vice Chairman

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Commissioner

ATTEST:

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Secretary